

HUMAN SERVICES - DSHS

Program 080

DSHS - Medical Assistance Payments

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2005-07 Expenditure Authority	1,084.5	3,077,313	4,690,557	7,767,870
Supplemental Changes				
Employer-Sponsored Insurance Program	6.0	(107)	(105)	(212)
Children's Health Program	8.0	3,473		3,473
Utilization and Other Rate Changes		(45,129)	91,387	46,258
Kidney Disease Forecast Correction		4,038		4,038
Medicare Part D Update		4,034		4,034
Medical Management Information System Reprocurement	9.5	538	4,988	5,526
Expand Provider Review and Prior Authorization	4.0	(3,129)	(3,129)	(6,258)
GAAP Accounting for Drug Rebates		4,897	4,902	9,799
Delayed and Reduced Preferred Drug Project Expansion		3,833	3,263	7,096
Certified Public Expenditure Program		12,706	(25,853)	(13,147)
Statewide Leased Facilities Implementation Transfer	(.3)	(28)	(28)	(56)
Federal Funds Technical Adjustment				
L&I Rate Adjustments		9	9	18
Pension Plan 1 Unfunded Liabilities			442	442
Technical Corrections		(28)	(45)	(73)
Mileage Rate Adjustments		4	14	18
Mandatory Caseload Adjustments		(29,870)	4,544	(25,326)
Federal Medical Assistance Percentage Match Adjustment		(2,354)	2,354	
Subtotal - Supplemental Changes	27.2	(47,113)	82,743	35,630
Total Proposed Budget	1,111.7	3,030,200	4,773,300	7,803,500
Difference	27.2	(47,113)	82,743	35,630
Percent Change	2.5%	(1.5)%	1.8%	0.5%

SUPPLEMENTAL CHANGES

Employer-Sponsored Insurance Program

The Health and Rehabilitative Services Administration currently operates a small pilot project to enroll Medicaid children and families into employer-sponsored insurance when it is cost-effective for the state. The Governor proposes expanding the program, enrolling an additional 2,080 children, and adding nine FTE staff. Since the program identifies participants whose enrollment is cost-effective, the administrative costs are greater than program savings. This pilot is expected to reinforce employer-based coverage, reserving state resources for covering low-income, otherwise uninsured children. (General Fund-State, General Fund-Federal)

Children's Health Program

The enacted 2005-07 Biennial Budget included a capped appropriation to provide Medicaid look-alike health coverage to children who, because of immigration status or immigration-related waiting periods, are not eligible for Medicaid. The November 2005 forecast of per-child medical costs is higher than the forecast in March when the budget was developed. There is also evidence that pent-up demand for services might increase expected costs early in the program. However, of the \$3.5 million funds originally budgeted for administrative purposes in the Economic Services program, \$2.2 million can be used to help compensate for the higher than expected service costs. The \$3.5 million is redirected to the Medical Assistance Administration (MAA) - \$1.3 million to pay for administrative costs in MAA and \$2.2 million for medical services reimbursements. (General Fund-State, General Fund-Federal)

Utilization and Other Rate Changes

Utilization and rate changes make up the difference between the forecast change not accounted for by caseload updates or other specific adjustments. The step is a combination of changes in medical inflation and the extent to which services are utilized, and affect all categories of eligible individuals and services. Some service cost trends include inpatient hospital costs and laboratory and x-ray costs experiencing double-digit annual increases. Dental costs are growing at about 8 percent per year in all funds, with a disproportionate growth in the Health Services Account, suggesting higher utilization among optional children. Federally Qualified Health Center (FQHC) enhancements, a requirement for 100 percent-of-cost reimbursements, are increasing at 7 to 8 percent per year. Medicare Part B premiums are growing by more than 13 percent per year.

One reason for the uneven impact of this step between the General Fund-State and the Health Services Account is the adoption of a more accurate methodology for allotting FQHC enhancements to the two accounts. (General Fund-State, General Fund-Federal, Health Services Account-State)

Kidney Disease Forecast Correction

The kidney disease portion of the Medical Assistance Administration per capita forecast that was inadvertently omitted from the final forecast report is added.

Medicare Part D Update

Since completion of the Medical Assistance Administration per capita forecast, the federal government released final numbers for the value of Washington State's per-person share of the new Medicare prescription drug benefit for individuals eligible for both Medicaid and Medicare (dual eligibles). The final cost was higher than last estimated by the MAA forecast workgroup and the difference is added to the budget.

Medical Management Information System Reprocurement

The Medicaid Management Information System (MMIS) re-procurement project (newly-named ProviderOne) included vendor deliverables that were funded, but not completed in Fiscal Year 2005, and that have been re-scheduled for receipt in Fiscal Year 2006. In addition, 11 project positions are necessary for timely completion of future project deliverables. Included in the funding for these 11 staff are federal dollars for two positions in the Office of Financial Management to address interface requirements between ProviderOne and the statewide Agency Financial Reporting System (AFRS). The funding split on the ProviderOne project is 90 percent federal and 10 percent state funds. (General Fund-State, General Fund-Federal)

Expand Provider Review and Prior Authorization

Eight additional FTE staff in the Division of Medical Management will expand existing initiatives involving increased prior authorization management of certain drugs, including Neurontin, and strengthen quality assurance activities. The Medical Assistance Administration estimates that program savings will be realized by improving prior authorization staffing levels and preventing inappropriate and off-label use of certain prescription drugs; increasing the number of provider reviews that result in provider contract terminations, where appropriate; and increasing record reviews for compliance with EPA guidelines. (General Fund-State, General Fund-Federal)

HUMAN SERVICES - DSHS

GAAP Accounting for Drug Rebates

The 2005-07 Biennial Budget funded eight staff to increase drug manufacturer rebate collections and to increase third-party liability and provider audits. Savings were expected to total \$14.3 million. Information gathered after passage of the budget reveals drug rebate collections are accounted for, according to generally accepted accounting principles (GAAP), on a modified accrual basis. This means \$9.8 million of the total savings from prior periods will be applied to past fiscal periods, to the month of service in which the expenditure occurred. Although the savings will not be seen as a lower expenditure in the 2005-07 Biennium as originally expected, the additional recoveries will result in new revenue to the General Fund. (General Fund-State, General Fund-Federal)

Delayed and Reduced Preferred Drug Project Expansion

The 2005-07 Biennial Budget provided two staff positions, one at the Health Care Authority (HCA) and one at the Department of Social and Health Services' (DSHS) Medical Assistance Administration (MAA), to increase the number of drug classes scheduled to be reviewed and adopted for the statewide Preferred Drug Project. Net MAA savings of \$6.9 million were assumed. During the interim, staff found that additional reviews will outweigh the savings to be gained. Since only two additional classes of drugs are determined feasible, the savings from the expansion will be less. The reduced project scope eliminates the need for the full staff addition provided in the original budget. (General Fund-Federal, Health Services Account-State)

Certified Public Expenditure Program

The Certified Public Expenditure (CPE) program was approved in the 2005-07 Biennium. A revised analysis of the program, including updates to recent actual hospital payment detail and the November 2005 medical expenditure forecast, indicates additional state funding is needed. State-funded grants paid to the hospitals are increased in the CPE program, and federal funding for Fiscal Years 2006 and 2007 is adjusted. (General Fund-State, General Fund-Federal, Health Services Account-State)

Statewide Leased Facilities Implementation Transfer

Staff and funding are transferred within the Department of Social and Health Services to support the Statewide Leased Facilities Model. These staff and dollars are transferred from the program budgets to the administrative services budget. This step nets to zero agency wide. (General Fund-State, General Fund-Federal)

Federal Funds Technical Adjustment

The spending plan for federal funds is adjusted between federal account types to accurately reflect the source of federal match that will be earned in the enacted 2005-07 Biennial Budget. (General Fund-Federal)

L&I Rate Adjustments

Adjustments of workers' compensation charges include changes to an agency's "experience factor" that reflects the agency's past claim history. (General Fund-State, General Fund-Federal)

Technical Corrections

Incremental salary, benefits, and Office of Financial Management costs in the enacted 2005-07 Biennial Budget are spread from a central program to all affected programs, including the Medical Assistance Administration. (General Fund-State, General Fund-Federal)

Mileage Rate Adjustments

The U.S. Treasury Department raised its allowable reimbursement rate for automobile mileage to \$.485, effective September 15, 2005 through December 2005. Effective January 1, 2006, the rate becomes \$.445 per mile. Funding is provided for the difference between the \$.375 per mile reimbursement rate set in the 2003-05 Biennium and the new rates. (General Fund-State, General Fund-Federal)

Mandatory Caseload Adjustments

The November 2005 forecast of individuals eligible for Medical Assistance Administration programs indicates that caseloads are down slightly, overall, from those enacted in the 2005-07 budget. Although the caseload differences are relatively small in total, the optional children's caseload is up by about 5,000 children, and the mandatory caseload is down by about 6,000. Since these groups of individuals are traditionally funded from certain accounts, there is a disproportionate impact on the Health Services Account. (General Fund-State, General Fund-Federal, Health Services Account-State)

Federal Medical Assistance Percentage Match Adjustment

The amount of federal funding available for match on current programs will increase as a result of the update to the Federal Medical Assistance Percentage (FMAP). The change, effective October 2006, will increase the federal match on Medicaid expenditures from 50.00 percent to 50.12 percent; and the State Children's Health Program expenditures from 65.00 percent to 65.08 percent. (General Fund-State, General Fund-Federal)